

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Approval of Minutes of the March 6, 2002
Investment Committee, Open Session

ITEM NUMBER: 3

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: April 3, 2002

INFORMATION:

PRESENTER(S): Chairperson

Proposed minutes of the Investment Committee meeting held in open session March 6, 2002 are submitted as Attachment 1.

**PROPOSED
MINUTES OF THE
INVESTMENT COMMITTEE MEETING
OF THE
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
MARCH 3, 2002
OPEN SESSION
BOARD ROOM
7667 FOLSOM BOULEVARD
SACRAMENTO, CALIFORNIA**

COMMITTEE MEMBERS PRESENT

Gary Lynes, Chairperson
George Fenimore
Paul Krasnow
Karen Russell
Carolyn Widener
Annette Porini, representing Director of Finance, Tim Gage
Kathleen Connell, State Controller
Richard Whitmore, representing Superintendent of Public Instruction, Delaine Eastin
Anne Stausboll, representing State Treasurer, Philip Angelides

OTHER BOARD MEMBERS OR REPRESENTATIVES PRESENT

Christine Solich
Louis Willhoit

STAFF PRESENT

Jack Ehnes, Chief Executive Officer
Christopher Ailman, Chief Investment Officer
Chris Waddell, Chief Counsel
Elleen Okada, Director of Investment Administration and External Relations
Ed Derman, DCEO, External Affairs and Program Development
Doug Wills, Staff Counsel
Michelle Cunningham Director of Fixed Income
Mike DiRe, Director of Real Estate
Steven Tong, Director of Internal Equities
Real Desrochers, Director of Alternative Investments
Richard Rose, Principal Investment Officer
Deborah Contini, Investment Officer
Trish Taniguchi, Investment Officer
Robert Woods, Investment Officer
Joe DeLuca, Investment Officer
Mike Thompson, Investment Officer
Mary Ann Avansino, Administrative Assistant

OTHERS PRESENT

Allan Emkin, Pension Consulting Alliance
Marcus Steele, Pension Consulting Alliance
Al Clerc, Pathway Capital Management
David Elder, Former Assemblyman
Beverly Carlson, CTA
Pat Geyer, CRTA
Donald Douglas, CTA, Retired
Dorothy Moser, CTA/NEA, Retired
Loretta Toggenburger, UTLA, Retired
Bill Collins, CTA

A quorum being present, Chairperson Lynes called the open session meeting to order at 11:45 a.m.

I. ANNOUNCEMENTS (Item 2)

Chairperson Lynes announced that agenda items would be considered in the following order due to a special request, Items 1-4, 14, 6 then the remainder of the items in order.

II. APPROVAL OF MINUTES OF THE FEBRUARY 6, 2002 INVESTMENT COMMITTEE, OPEN SESSION (Item 3)

MOTION duly made by Mr. Fenimore, seconded by Ms. Russell and carried to approve the minutes of the February 6, 2002, Investment Committee, Open Session as presented.

III. REPORT OF THE SUBCOMMITTEE ON CORPORATE GOVERNANCE (Item 4)

Ms. Stausboll discussed corporate governance reform issues and securities litigation were discussed.

BY CONSENSUS, the report of the Subcommittee on Corporate Governance was accepted.

IV. REPORT OF THE CHIEF INVESTMENT OFFICER (Item 14)

Mr. Ailman reviewed the written report. Mr. Ailman reported that he has been asked to serve on the advisory board of the Toigo Foundation. He stated that the repatriation project had been completed. An article that appeared in Buyouts magazine was discussed.

Returns and full funding were discussed. Mr. Ailman stated that an educational presentation by the consultant and actuary regarding these issues is scheduled for the May meeting.

V. ALTERNATIVE INVESTMENTS – POLICY REVIEW (Item 6)

Mr. Desrochers and Mr. Clerc reported that policy had been reviewed and no change would be necessary for the Fund to make a sizeable investment in distressed debt if the opportunity should arise.

Chairperson Lynes recessed the meeting at 12:45 p.m.

The meeting reconvened at 1:35 p.m. Dr. Connell did not return to the meeting, Mr. Willhoit represented the State Controller

Ms. Porini did not return to the meeting.

VI. HOME LOAN PROGRAM - ANNUAL REPORT AND POLICY REVISION (Item 5)

Ms. Cunningham, Mr. Woods and Mr. DeLuca reviewed the written annual report of the Home Loan Program. Loan Programs, portfolio detail, and plans for the future were discussed. Policy updates to bring policies in line with active programs were proposed.

Ms. Cunningham introduced Mr. Elder, former Assemblyman, who originated the legislation that allowed the creation of the home loan program.

MOTION duly made by Mr. Krasnow, seconded by Ms. Russell and carried to adopt the resolution to approve the proposed revisions to the Home Loan Program Investment Policy as presented.

- VII. **UPDATE ON LEGISLATION** (Item 7)
Chairperson Lynes announced that this item would be considered at the Board meeting.
- VIII. **U.S. EQUITY BENCHMARK TASK FORCE – STUDY OF U.S. EQUITY INDICIES** (Item 8)
Ms. Okada, Mr. Tong, Ms. Contini, and Ms. Taniguchi gave an initial presentation of the U. S. Equity Benchmark Study Project. The purpose of the task force is to examine various benchmarks to assist the Board in determining the benchmark that is best suited for CalSTRS. They discussed the purpose of benchmarks, selection criteria, benchmark characteristics, and available options to CalSTRS. The next presentation is scheduled for the April meeting.
- IX. **EXTERNAL EQUITIES – SEMI-ANNUAL REPORT OF INVESTMENT PERFORMANCE PERIOD ENDING DECEMBER 31, 2001** (Item 9)
Ms. Okada and Ms. Hester Amey reviewed the written performance report.
- X. **INTERNAL EQUITIES -ANNUAL REPORT ON CASH EQUITATION** (Item 10)
Mr. Tong reviewed the written report.
- XI. **CREDIT ENHANCEMENT PROGRAM – ACTIVITY STATUS REPORT** (Item 11)
Mr. Rose presented the written report and reviewed a \$5.1 million possible letter of credit with the City of Colton.
- XII. **REAL ESTATE – ACTIVITY STATUS REPORT** (Item 12)
Mr. DiRe and Mr. Thompson presented the written report. They reported that 93% of the office properties were occupied.
- XIII. **ALTERNATIVE INVESTMENTS – ACTIVITY STATUS REPORT** (Item 13)
Mr. Desrochers presented written report.
- XIV. **DRAFT AGENDA FOR APRIL INVESTMENT COMMITTEE MEETING** (Item 15)
Mr. Ailman announced that Items 8 and 11 would be moved to May and Item 11 would be moved to June.
- XV. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC** (Item 16)
There were no statements from the public.
- XVI. **MOVE TO CLOSED SESSION**
Chairperson Lynes recessed the meeting at 2:45 p.m. and reconvened into closed session.
- XVII. **ADJOURNMENT**

Chairperson Lynes announced that while in closed session, the Committee discussed matters pertaining to investment decisions. There being no further business to conduct, Chairperson Lynes adjourned the meeting at 4:00 p.m.

Jack Ehnes, Chief Executive Officer and Secretary to the Teachers'
Retirement Board

Gary Lynes, Chairperson